

**REPORT OF  
FINANCIAL EXAMINATION**

**MAMIC MUTUAL INSURANCE  
COMPANY**

**AS OF  
DECEMBER 31, 2004**

**STATE OF MISSOURI  
DEPARTMENT OF INSURANCE  
JEFFERSON CITY, MISSOURI**

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May 5, 2005  
Sikeston, Missouri

Honorable Dale Finke, Director  
Missouri Department of Insurance  
301 West High Street, Room 630  
Jefferson City, Missouri 65101

Sir:

In accordance with your examination warrant, a financial examination has been made of the records, affairs and financial condition of

### **MAMIC MUTUAL INSURANCE COMPANY**

hereinafter referred to as "MAMIC," or as the "Company". The Company's home office and principal place of business is located at 912 S. Kingshighway, Sikeston, Missouri, telephone number (573) 471-1534. This examination began on May 2, 2005, was concluded on June 1, 2005, and is respectfully submitted.

### **SCOPE OF EXAMINATION**

#### **Period Covered**

MAMIC was last examined by the Missouri Department of Insurance in 1998, for the year ending December 31, 1997. The current examination covers the period from January 1, 2003, through December 31, 2004, the period under current management, and was conducted by an examiner from the Missouri Department of Insurance.

## Procedures

This examination was conducted using the guidelines set forth in the Financial Examiners Handbook of the National Association of Insurance Commissioners (NAIC), except where practices, procedures and applicable regulations of the Missouri Department of Insurance and statutes of the State of Missouri prevailed. The Certified Public Accounting firm, Schott and Van de Ven, LLP, completes the Company's accounting.

## Comments - Previous Examination Report

The comments and/or recommendations, or notes to the financial statements of the previous examination report completed for the year ending December 31, 1997, are listed below with any subsequent action taken by the Company in regard to such.

(1) The Company is directed to present on its annual statement the net unearned portion of the ceding commission it has received from the reinsurer for ceding 100% of the premium of its policies to the reinsurer.

Action: This Company changed management in May 2003 and also has changed its type of business written. This comment no longer is relevant.

(2) It is recommended the directors and officers of the Company disclose all potential conflicts of interest in their conflict of interest statements.

Action: All new manager/directors have signed a conflict of interest statement.

(3) It is recommended the Company place all of its policies and procedures in written form.

Action: This Company changed management in May 2003 and also has changed its type of business written. This comment no longer is relevant.

(4) It is recommended that the Board of Directors submit a future plan of operations to the Department of Insurance and demonstrate that the Company can generate a positive cash flow.

Action: This Company changed management in May 2003 and also has changed its type of business written. This comment no longer is relevant. However, the Company's new management does have a business plan, which based on current estimates will have a profit of \$80,000 to \$90,000 annually.

## **HISTORY**

### **General**

MAMIC was originally established in 1946 as the Shield Fire Insurance Company. On December 28, 1989, the Company changed its name to FMH Mutual Insurance Company. On June 12, 2003, the Company changed its name to MAMIC Mutual Insurance Company

The Company has a Certificate of Authority dated August 29, 2003, and is covered by Sections 380.201 through 380.611 RSMo.(Extended Missouri Mutual Companies). The Company's Certificate of Authority is renewed annually.

### **Management and Control**

In accordance with the Articles of Incorporation, the annual meeting of the Company's members is held on the third Tuesday in March at the home office of the Company or at such other place as may be designated by the Board of Directors. Special meetings of the members may be called by the Board of Directors at any time and shall be called upon petition of one-fourth of the members. Seven members shall constitute a quorum at any membership meeting. Voting by proxy is permitted.

The management of the Company is vested in the Board of Directors, who is elected from the general membership. The Board of Directors will consist of seven directors serving staggered three-year terms. All directors must be policyholders of the Company. The Board of Directors meets once a year and is not compensated for attending meetings.

Members serving on the Board of Directors as of December 31, 2004:

<u>Name and Address</u>	<u>Occupation</u>	<u>Term</u>
Ron Borders 127 Greenbrier Drive Sikeston, MO 63801	President of Missouri Association of Mutual Insurance Companies	2003-2006
Mike Kiefer 281 W. Ste. Maries St. Perryville, MO 63775	President of Perry County Mutual Insurance Company	2003-2006
Philip Bibb, Jr. 22 W. Main Bowling Green, MO 63334	Director of Pike Mutual Insurance Company	2002-2005
Peggy McDaniel 205 S. Maple Buffalo, MO 65622	Secretary of Old Missouri Mutual Insurance Company	2002-2005
John Hall 733 Highway J New Florence, MO 63363	Director of Farmers Mutual of Insurance Company of Montgomery County	2002-2005
Steve Underwood 113 Elm St. Washington, MO 63090	Manager of United Mutual Insurance Company	2004-2007
Charles Smith 118 S. W. Highway 60 Billings, MO 65610	Secretary of Billing Mutual Insurance Company	2004-2007

The directors all have a policy with the Company, which are on file at the home office of Company in Sikeston, Missouri.

The Board of Directors elects a President, Vice-President, Secretary and Treasurer for a term of one year. The same person, when designated by the Board of Directors, may hold the offices of Secretary and Treasurer.

The officers of the Company serving at December 31, 2004, were as follows:

Ron Borders	President
Philip Bibb, Jr.	Vice-President
Mike Kiefer	Secretary/ Treasurer

### Conflict of Interest

The Company has written conflict of interest procedures for the disclosure of material conflicts of interest or affiliations by its directors and officers. The Company has its directors and officers sign conflict of interest statements on an annual basis.

### Corporate Records

A review was made of the Articles of Incorporation and the ByLaws of the Company. Amendments have been made to the Articles of Incorporation or Bylaws since the last exam.

The minutes of the membership and the Board of Directors' meetings were reviewed for the period under examination. The minutes and records of the Company appear to properly reflect corporate transactions and events.

### **FIDELITY BOND AND OTHER INSURANCE**

MAMIC directors have voted not to maintain a Fidelity Bond. It is recommended that the Company maintain a Fidelity Bond of no less than \$25,000.

The Company has no agents. The President and Secretary sign all policies and do not receive any commissions.

MAMIC does not own the real estate it occupies.

### **EMPLOYEES' BENEFIT PLAN**

MAMIC has no employees. The Company has a Service agreement with Mutual Insurance Service Corporation, a corporation wholly owned by the Missouri Association of Mutual Insurance Companies in which the Service Company receives 15% of the net written premium of the Company for the daily operational needs of the Company.

## **INSURANCE PRODUCTS AND RELATED PRACTICES**

### **Territory and Plan of Operations**

MAMIC is licensed by the Missouri Department of Insurance as an Extended Missouri Mutual Company operating under Sections 380.201 through 380.611 RSMo (Extended Missouri Mutual Companies). The Company is authorized to write fire, wind, and liability insurance in all counties in the State of Missouri. Although the Company is licensed to write all three lines of business it chooses only to write Directors and Officers liability and Errors and Omissions liability coverages. The Company has no agents. The President and Secretary of the Company process the policies.

### **Policy Forms and Underwriting Practices**

The Company uses policy forms supplied by MAMIC Mutual Insurance Company. The Company's liability policies are continuous policies and are renewable annually. Rates are determined by the Board of Directors. Renewal billings are mailed directly to the insured.

## **GROWTH AND LOSS EXPERIENCE OF THE COMPANY**

YEAR	ADMITTED ASSETS	LIABILI- TIES	GROSS ASSESS- MENTS	GROSS LOSSES INCURRED	INVESTMENT INCOME	UNDER- WRITING INCOME	NET INCOME
2003	\$246,076	\$0	\$260,611	\$0	\$270	\$45,806	\$46,076
2004	329,726	596	429,391	37,035	4,526	\$79,124	\$83,054

The amounts above were taken from the annual statements prepared by the Company. At year end 2004, the Company had 454 policies were in force. It was noted that the Company had an underwriting profit in 2003 and 2004.



## REINSURANCE

### Ceded

MAMIC has a quota share reinsurance agreement with 32 Missouri Mutual Insurance Companies and one Section 379 Mutual Insurance Company, who participate in the 100% quota share reinsurance agreement.

<u>Name of Companies</u>	<u>Percentage of Pool</u>
Columbia Mutual Insurance Company	10%
Ralls County Mutual Ins. Co.	4%
F M Fire Ins. Co of Gentry County	1%
Concordia Farmers Mutual Ins Co	5%
Laclede Mutual Insurance Co	4%
Clarks Fork Mutual Ins. Co	4%
Cape Mutual Insurance Company	3%
Gateway Mutual Ins Co	3%
Perry County Mutual Ins Co	3%
F M Ins. Co of Nodaway County	3%
Gasconade Farmers Mutual Fire Ins Co	2%
Lincoln County Farmers Mutual Ins	2%
Old Missouri Mutual Insurance Company	3%
Nixa Farmers Mutual Insurance Co	3%
FM Ins. Co. of Callaway County	1%
Farmers Cooperative Ins Co	2%
F M Fire Ins. Co of DeKalb County	1%
Barton County Mutual Ins Co	5%
F M Ins Co of Linn County	1%
Meramec Valley Mutual Ins Co	2%
Farmers & Laborers Mutual Ins Co of Montgomery	4%
Billings Mutual Ins Co	4%
Lewis County Mutual Ins Co	2%
Arnsberg Farmers Mutual Ins Co	4%
Henry County Mutual Ins Co	3%
Freistatt Mutual Ins Co	5%
North Missouri Mutual Ins Co.	2%
F M Ins Co. of Dade County	4%
St. Thomas-Babbtown Mutual Ins Co	3%
Pike County Mutual Ins. Co	4%
Patrons Mutual Ins Co of Lafayette	1%
St. Johns Mutual Ins. Co	2%

This agreement covers all policies written by the Company classified as liability policies. The Company cedes 100% of the risk to the reinsurers. The maximum risk accepted by the reinsurer under the agreement is \$2,000,000. The Company pays the reinsurer 100% of the premium under the agreement and the Company is allowed a 35% ceding commission.

The Company only writes Directors and Officers liability and Errors and Omission liability policies for the members or the Missouri Association of Mutual Insurance Companies.

**Assumed**

None.

**ACCOUNTS AND RECORDS**

The accounting records are maintained by the Company on an accrual basis. Schott and Van de Ven P.C. does the monthly accounting and prepares the Company's tax filings.

## **FINANCIAL STATEMENTS**

The following financial statements, with supporting exhibits, present the financial condition of the Company at December 31, 2004, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the annual statement and/or comments regarding such are made in the "Notes to the Financial Statements", which follow the Financial Statements. (The failure of any column of numbers to add to its respective total is due to rounding or truncation.)

There may have been differences found in the course of this examination, which are not shown in the "Notes to the Financial Statements". These differences were determined to be immaterial, concerning their effect on the financial statements. Therefore, they were communicated to the Company and noted in the workpapers for each individual annual statement item.

**MAMIC MUTUAL INSURANCE COMPANY**

**December 31, 2004**

**ADMITTED ASSETS**

Cash on Deposit	\$ 329,726
	-----
Total Assets	<u><u>\$329,726</u></u>

**LIABILITIES, SURPLUS AND OTHER FUNDS**

Unearned Premium (Note #1)	\$ 75,143
Accrued Federal Income Tax	596
	-----
Total Liabilities	<u>\$75,739</u>
	-----
Guaranty Fund	\$150,000
Surplus Note (Note #2)	200,000
Other Surplus	(\$96,013)
	-----
Total Surplus	<u>\$253,987</u>
	-----
Total Liabilities and Surplus	<u><u>\$329,726</u></u>

### STATEMENT OF INCOME

Net Premiums	\$ 150,287
Reinsurance Commission	0
Net Losses Incurred	(0)
Underwriting Expenses	(71,163)
	-----
Net Underwriting Income (Loss)	\$79,124
	-----
Investment Income	\$4,526
Other Income	0
	-----
Gross Income (Loss)	\$83,650
Federal Income Tax	(596)
	-----
Net Income (Loss)	\$83,054
	=====

### CAPITAL AND SURPLUS ACCOUNT

Policyholder's Surplus, December 31, 2003	\$46,076
Net Income (Loss)	83,054
Exam Change	(75,143)
Surplus Note	\$200,000
	-----
Policyholder's Surplus, December 31, 2004	\$253,987
	=====

## **NOTES TO THE FINANCIAL STATEMENTS**

### **Note #1 - Unearned Premium**

**(\$75,143)**

MAMIC operates as an Extended Missouri Mutual Insurance Company that is non-assessable (Premium). Pursuant to the Section 380.201 RSMo "Premium" is defined as "a stipulated amount charged for a specified policy period, which the Company is required to charge as a liability and maintain as an unearned premium reserve until the end of the specified policy period". The Company is directed to maintain an unearned premium reserve.

### **Note #2 - Surplus Note**

**\$200,000**

The Company has a \$200,000 surplus note from Missouri Association of Mutual Insurance Companies, dated June 16, 2003. The note is not callable or redeemable at the option of the holder. Repayment may be paid only out of the surplus earnings of MAMIC as required by Missouri law and as authorized with the written consent of the Director of Insurance of the State of Missouri.

## **EXAMINATION CHANGES**

Total Surplus Per Company, December 31, 2004			\$329,130
	Increase in Surplus	Decrease in Surplus	
Unearned Commission	\$0	\$75,143	
	----	-----	
Total Change	\$0	\$75,143	(75,143)
			-----
Total Surplus Per Examination, December 31, 2004			<u><u>\$253,987</u></u>

## **GENERAL COMMENTS AND RECOMMENDATIONS**

### **Fidelity Bond and Other Insurance (Page 5)**

It is recommended that the Company maintain a Fidelity Bond of no less than \$25,000.

### **Unearned Premium Reserve (Page 11)**

The Company is directed to maintain an unearned premium reserve.

## **SUBSEQUENT EVENTS**

None.


### ACKNOWLEDGMENT

The assistance and cooperation extended by the officers MAMIC Mutual Insurance Company in the course of this examination is hereby acknowledged and appreciated.

### VERIFICATION

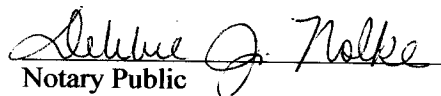
State of Missouri    )  
                              ) ss  
County of Cole        )

I, Larry J. Kleffner, CFE, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

  
Larry J. Kleffner, CFE  
Financial Examiner  
Missouri Department of Insurance

Sworn to and subscribed before me this 22<sup>nd</sup> day of August, 2005.

My commission expires: 5/1/08

  
Notary Public

DEBBIE J. NOLKE  
Notary Public - Notary Seal  
STATE OF MISSOURI  
County of Boone  
My Commission Expires May 1, 2008



## SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.



Frederick G. Heese, CFE  
Audit Manager - Kansas City  
Missouri Department of Insurance

RECEIVED  
GENERAL COUNSEL  
05 JUN 25 AM 8:49

Telephone: 573-471-1534  
Fax: 573-471-8618

P.O. Box 864  
Sikeston, Missouri 63801

# MAMIC

## Mutual Insurance Company

September 19, 2005

RECEIVED  
MO INS DEPT  
SEP 21 2005

Kirk Schmidt, CFE, CPA  
Chief Financial Examiner  
Missouri Department of Insurance  
PO Box 690  
Jefferson City, MO 65102-0690

Good morning Kirk:

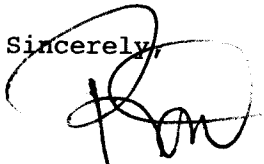
Pursuant to your letter of August 19, 2005, regarding the recent financial exam of the MAMIC Mutual Insurance Company, please be advised that our board of directors have authorized me to proceed with compliance with the general comments and recommendations as listed on page 13 of the examination report.

In regard to the Fidelity Bond, I have made application to an independent agent for purchase of such and while as of this date we have not received the bond we do expect it any day.

In regard to the Unearned Premium Reserve we had already visited with our CPA, Van de Ven, LLC, to set up the premium reserve prior to the exam. We have now completed the process.

I trust this is the information you require.

Sincerely,



Ron Borders  
c: MAMIC Mutual Board of Directors

